

Budget Process

Glossary of Terms

Term/Definition

Allotment: The designation of a department or agency's estimated expenditures in each fiscal year budget (called the annual work program) by quarter and line category. Four equal quarters are used each fiscal year. The approved amounts are recorded in the accounting general ledger by quarter and line category to form the basis on which the State Controller authorizes expenditures, in accordance with statute.

Allocations: The total amount of estimated expenditures authorized by the Legislature from resources legally restricted or otherwise designated for specific operating purposes. These resources typically constitute highway funds, federal funds, other special revenue funds, internal service funds, enterprise funds or any other funds, which may be designated for specific purposes by the Legislature.

Alternative Budget: The biennial budget scenario technique in which departments and agencies are required to present revised Part I budgets for each fiscal year of a biennium as an alternative to the department or agency's original Part I budget proposal.

Appropriations: The total amount of estimated expenditures authorized by the Legislature from unrestricted or undesignated resources in each fiscal year. These resources typically constitute undedicated General Fund resources.

Biennial Budget: The two year financial plan of the State of Maine which shows for each fiscal year all proposed expenditures, interest and debt, redemption charges, capital expenditures and estimated revenues in support of expenditures and obligations consistent with the Governor's, or Governor-elect's, program priorities, goals and objectives.

Biennium: The two fiscal years, beginning in even numbered fiscal years, which represent the period

covered by the biennial budget financial plan of the State of Maine.

Encumbrance: A commitment against allotment for legally binding purchase orders and contracts representing goods and services which have not yet been received. Encumbrances become expenditures and liabilities only when the goods and services are actually received.

Full Time Equivalent: The number of positions of less than 52 weeks in a fiscal year authorized by the Legislature for a specific department or agency and program.

Legislative Count: The number of permanent full time and part time positions authorized by the Legislature for a specific department or agency and program.

Line Category: The expenditure groups represented by the following four classifications to which the Legislature appropriates and allocates funds by department or agency and program: personal services (salaries, wages and benefits); all other (operational support); capital expenditures (capital equipment purchases, real property purchases and facility improvement and construction); and, unallocated (undesignated items with respect to expenditure type).

Part I Budget: The two year biennial budget that outlines the anticipated financial resources and estimated expenditures of a department or agency and program that are necessary to continue the current level of legislatively approved program effort.

Part II Budget: The two year biennial budget that outlines the anticipated financial resources and estimated expenditures of a department or agency and program that are necessary to expand existing programs beyond the level authorized by the

Legislature or to undertake new program initiatives, also beyond the scope of existing legislative authorization.

Program (also Program Strategy): A grouping of activities and expected results that are directed

toward the accomplishment of a set of goals and objectives consistent with statutorily defined missions and represents a department bureau, division or operational entity to which the Legislature appropriates or allocates resources defined by the Legislature.

Budget Policy

The Maine Legislature appropriates and allocates Funds for Governmental Funds and Account Groups, as shown in **Table D – 1**.

Table D - 1	
Governmental Funds	Account Groups
General Fund	Internal Service Funds
Highway Fund	Enterprise Funds
Federal Expenditures Fund	
Other Special Revenue Funds	
Federal Block Grant Funds	

The Constitution of Maine requires the Governor and the Legislature to submit, enact and approve a balanced budget that achieves each fiscal year a balance between resources and commitments. The State of Maine uses a biennial budget in which the budget is presented by the Governor and acted upon by the Legislature for two fiscal year periods beginning in even numbered years. Each fiscal year of the biennium encompasses the period July 1 through June 30. Appropriations and allocations are provided for each fiscal year of the biennium. The biennial budget for each ensuing biennium is presented and acted upon by the first regular session of the Legislature. During the first regular session, the Legislature may also make adjustments to the appropriations and allocations by program for the last fiscal year of the current biennium. The second regular session of the Legislature may make adjustments to both the first and second fiscal years of the current biennium.

The budget is presented in a performance-based format. Each program has a program strategy with performance measures connected to it. Each program strategy, in turn, will display its connection to the department or agency goals and objectives.

Funding by objective for each department or agency will roll up to a functional statewide policy area.

Appropriations and allocations by program are further delineated by three line categories: Personal Services; All Other; and, Capital Expenditures. The Personal Services line category includes the salaries, wages and benefits for all positions authorized by the Legislature reduced by an attrition factor of .16%. The All Other line category includes the operational expenditures of a program such as vehicle operations, in state travel, supplies, etc. The Capital Expenditures line category includes funds for the purchase and replacement of equipment assets of \$3,000 or more with a useful life greater than one year, and for real property purchases and facility improvements and construction.

Each appropriation and allocation to a program also includes the number of positions authorized by the Legislature. Referred to as “headcount” these positions are further classified by the Legislature as “legislative count” or “full time equivalent”. Legislative count represents positions authorized by the Legislature for 52 weeks in a fiscal year. These may include full-time and part-time positions. Full time equivalent represents positions authorized by the Legislature for less than 52 weeks in a fiscal year. These typically include seasonal and intermittent positions. Positions authorized by the Legislature may not vary from the position titles and detailed funding that support the positions without legislative approval unless permanent funding is identified and approved by the State Budget Officer.

The biennial budget is presented separately in the form of an operating budget and a capital budget. Capital facility repairs to maintain asset value are included in the operating budget. The operating

budget is further delineated in two parts to reflect content and purpose referred to as Part I and Part II. The Part I budget includes funds that are requested and approved to maintain the current services operation of a program under existing law. The Part II portion of the budget includes funds requested and approved to expand program operations beyond the current level approved by the Legislature, or to create new programs.

Once the Legislature has enacted the biennial budget, and it has been signed into law, the

departments and agencies receiving expenditure authorization are required to develop budgets by program for each fiscal year, requesting allotment by line category and quarter. Allotment is established in four quarters approved by the Governor. Fiscal year budgets may be adjusted, or funds transferred between line categories and programs within the same fund and department or agency, to meet changing conditions upon approval by the Governor. Limitations on the transferability of funds between line categories and programs in a fiscal year are guided in law.

Biennial Budget Time Line

Biennial budget policy is provided to departments and agencies in July of the last fiscal year of the current biennium. Policy guidance includes a description of the required documentation to support each budget request and limitations on consumer price index increases for current services. Variance explanations for requests that are over or (under) the consumer price index guideline are required as part of a department or agency submission. Alternative funding scenarios from departments and agencies may also be requested to show the program impact if funds by program were limited to 95%, for example, of the base year appropriations or allocations. Part II requests for new and expanded initiatives are required to be submitted in order of priority. In addition, the guidelines and instructions may also request detailed technology budget information for each department and agency.

Biennial budget requests are due in the Bureau of the Budget by September 1 of each even numbered year. This due date is established in statute. The remainder of the time line that follows is based on an election year when there is a Governor-elect. During the months of September and October, the budget analysts in the Bureau of the Budget prepare current services budget recommendations for the Governor-elect based on independent analysis and forecasts as well as one-on-one discussions with department and agency staff. Following the election, one-on-one budget meetings are held with key department and agency staff to discuss specific Part II requests, departmental priorities, performance expectations and impact of reductions

from alternative budget scenarios. These meetings may include the Governor-elect, the Commissioner of the Department of Administrative and Financial Services, the State Budget Officer, the Governor-elect's Chief of Staff and the Governor-elect's Senior Policy Advisors, depending upon the department or agency and the issue under consideration.

In late December and January, all budget decisions are finalized, including the development of the capital budget. The budget bills are transmitted to the Legislature in January or early February. Three budget bills are provided to the Legislature. One is a supplemental budget bill (also referred to as an emergency budget bill) that proposes adjustments to appropriations and allocations for the last fiscal year of the current biennium. The second is referred to as a unified budget bill in that it presents all appropriations and allocations for a program regardless of funding source. Part A of the bill presents the Governor's current services appropriation and allocation recommendations for the upcoming biennium. Part B of the bill presents the Governor's current services recommendations for adjustments to appropriations and allocations for the upcoming biennium that are required to achieve a balanced budget. Other parts of the unified budget bill include proposed statutory and unallocated language required to give legal effect to the Governor's budget proposals. The third is referred to as a supplemental bill (also referred to as the Part II budget bill), and contains the Governor's proposals for new and expanded programs and capital improvements and construction.

The budget document must be submitted to the Legislature in early January according to statute, except when there is a Governor-elect. A Governor-elect has one additional month and must submit the budget in early February.

The content of the budget document is prescribed by statute. The budget document presents the budget, financial and operational plan of the Governor for the upcoming biennium. Details are provided in the budget document to show how those plans will be realized and the manner in which the budget has been balanced.

The Legislature conducts separate public hearings for each budget bill type before the Joint Standing Committee of the Legislature having jurisdiction over appropriations and financial affairs. At each public hearing, department and agency heads present and defend each budget request by program for his or her department or agency. Testimony from the public, either for or against the request, is solicited by the committee during the public hearing. Members of the joint standing committee of the Legislature having policy jurisdiction over the department or agency also are included in the public hearing process.

Following each public hearing, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs engages in

work sessions for each budget bill type. The initial stage of the work session involves the receipt of recommendations from the legislative policy committees of jurisdiction. The committee next engages each department or agency head, and their staff, in one-on-one discussions in order to elicit additional program information pertinent to the budget decision making process. Such information may include staffing and organization, performance measures, caseload forecasts, etc. The committee takes public votes on each item in the Governor's budget, adjusting each budget bill to reflect the priorities of the Legislature. At the conclusion of the work session, the committee reports out each budget bill type for consideration by the full Legislature followed by referral to the Governor for his or her approval.

Budget bills are submitted as emergency bills that require a 2/3 vote of the members of both legislative bodies in order to take effect when approved by the Governor. Non-emergency budget bills require a majority vote of those legislators present and voting in each legislative body. These budget bills take effect 90 days after the adjournment of the Legislature if signed into law by the Governor.

Table D - 2 below shows in high level form an approximate time line for the FY 06-07 biennial budget process that started during July of 2004.

Table D – 2	
Issue to departments and agencies the biennial budget guidance for Part I, Part II, performance budgeting and technology budgets.	July
Receive from departments and agencies the Part I and Part II budget requests, the strategic plan and performance budget information and the technology budget plans.	September 1
Hold one-on-one budget meetings with departments and agencies	September-October
Receive the General Fund and Highway Fund revenue forecasts from the Revenue Forecasting Committee	December
Finalize the Part I, Part II and capital budget	December & January
Prepare the budget document and budget bills	January
Submit the budget document and budget bills to the Legislature	January & February
Conduct public hearings on budget bills	February
Conduct work sessions on budget bills	March to May
Enact budget bills	June

Use of Performance Measures

Public Law 1997, c. 764 requires departments and agencies to submit revised strategic plans and performance measures to the joint standing committee of the Legislature having jurisdiction over that agency's matters, the Director of State Planning, the State Budget Officer, the Director of the Office of Fiscal and Program Review, and the Director of the Office of Policy and Legal Analysis

no later than December 1st of each even-numbered year. Departments and agencies revise their strategic plans and performance measures based on legislative feedback. Part II requests are required to show incremental changes in performance. These performance measure results have been analyzed in conjunction with the review of new and expanded budget requests for the FY 06-07 biennium.

Revenue Forecasting

The State of Maine develops General Fund and Highway Fund revenue forecasts for the biennial budget within the context of a consensus revenue forecasting model. The Consensus Economic Forecasting Commission first meets to prepare a four year economic forecast for the State of Maine. The six-member Revenue Forecasting Committee uses the economic assumptions recommended by the Consensus Economic Forecasting Commission

to prepare its four year revenue forecast for the General Fund and the Highway Fund. The committee's recommendations for revenues affecting the upcoming biennium are made in November, and are subsequently used by the Governor in developing the General Fund and Highway Fund budget recommendations for the upcoming biennium.

